PUBLIC HEALTH, WELFARE & SAFETY

Exhibit No. 2

Date 1-5-07

Bill No. SB 90

SENATE BILL 90

Multi-year Adjustments to Institutional Per Diem

Senate Bill 90 authorizes the Department of Public Health and Human Services to adjust the per diem charge for an institution more than once per year. Current interpretation of the statute allows the department to adjust the per diem only once yearly for billing purposes, which may result in lost general fund revenue when the costs of the institution exceed the billing rate.

DPHHS operates institutional facilities for people with mental illness, developmental disabilities and chemical dependence, and for senior care. The department must bill responsible parties for time spent in the facilities, by residents, at a cost-based, daily per diem rate. Funds paid to the department reimburse the general fund.

Section 53-1-404, MCA, requires the department to adjust the per diem rate for a new fiscal year on or before October 1 of that year to compensate for expected changes in cost of operating the institutions. Planned costs are affected by such factors as the projected number of residents and their length of stay, staff and security needs, and professional services planned for residents. An institution's projected annual costs are divided by the projected number of resident bed-days to determine the per diem rate charge. The department bills the residents, their representatives, third party payers and federal programs for the number of days spent at the institution, using the daily per diem rate.

Daily per diem rates charged to insurance companies and private payers cannot be changed retroactively. However, current statute does not allow the department to adjust the per diem rate during the year, so the department cannot quickly compensate for significant projected cost changes by adjusting the per diem rate when the change occurs. This delay results in lost general fund revenue, since payers are not billed the full cost of care.

Senate Bill 90 authorizes the department to review and adjust the daily per diem rate during the year to compensate for substantial changes in cost projections in the institutions. Reimbursements to the general fund will tie more accurately and timely to the actual costs of the institution with the passage of SB90.